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Congress of the United States
House of Representatives
Washington, DC 20515

November 13, 2017

Dr. Keith Hall
Director
Congressional Budget Office
441 D St SW
Washington, DC 20515

Dear Director Hall:

As you are undoubtedly aware, last week the Ways and Means Committee passed, H.R. 1, introduced by Chairman Kevin Brady, to cut taxes for high income taxpayers, repeal the estate tax and alternative minimum tax, cut the corporate tax rate, and cut the rate for large so-called "pass through" businesses, all while leaving true small businesses behind and eliminating deductions important to middle-class taxpayers. Before the majority brings this legislation to the House Floor for consideration, Members should be informed of its full fiscal impact. I write to request that the Congressional Budget Office (CBO) assist us in ensuring that is the case.

The Joint Committee on Taxation (JCT) and the CBO have supplied estimates of various iterations of H.R. 1 projecting massive reductions in revenue from these tax cuts without sufficient base-broadening measures or other offsets to prevent substantial increases in projected deficits and debt. These estimates are roughly consistent with the FY18 budget resolution's reconciliation instructions allowing a bill to increase deficits by "not more than $1,500,000,000,000 for the fiscal years 2018 through 2027." Your and JCT's estimates do not, however, include H.R.1's potential impact on the many mandatory spending programs it would make subject to across-the-board sequestration under 2 U.S.C. 20A, the Statutory Pay-As-You-Go Act (PAYGO).

I worked with the previous Administration in writing and passing that law under the simple premise that Congress must pay for what it buys. PAYGO was enacted to prevent legislation like this from adding to the deficit through an enforcement mechanism that uses the threat of sequestration of mandatory spending programs in order to protect the budget baseline. That being the case, Members and the American people should be aware of how deficits resulting from these proposed tax cuts trigger the threat of cuts – intended or unintended – to important programs like Medicare.

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I request an analysis from the CBO of the application of PAYGO that includes answers to the following questions. Should a bill like H.R. 1 that increases 10 year deficits by $1,500,000,000,000 be enacted before the end of 2017, without any further debits or credits to the Statutory PAYGO scorecards:

1) How would its deficit impact be reflected on the PAYGO scorecards?

2) Would a resulting debit on the PAYGO scorecards require a sequestration order, resulting in an enforced spending cut in 2018?

3) What would the ensuing combined sequestration cut be, in dollar and percentage terms, during the budget year and subsequent fiscal year for such a sequestration order for each mandatory program subject to across-the-board cuts?

4) What would the resulting sequestration cut be, in dollar and percentage terms, over each year of the ten-year PAYGO scorecard's budget window, assuming no additional credits or debits over that period?

A full accounting of the costs of proposed tax cuts necessarily includes any impacts from current-law statutory PAYGO's enforcement. Your help in providing estimates to that end are very much appreciated.

Sincerely yours,

STENY H. HOYER